Distr.
GENERAL

IDB.28/7
24 March 2004

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-eighth session
Vienna, 25-27 May 2004
Item 4 of the provisional agenda

OUTCOME OF THE INFORMAL CONSULTATIVE GROUPS

Report by the Director-General

Reports on the activities of two informal consultative groups of Member States: Voluntary contributions and UNIDO membership, and trade capacity-building, and provides information on the establishment of a new informal advisory group on field representation.

Introduction

1. In decision IDB.26/Dec.10, the Board requested the Director-General to hold close and regular informal consultations with interested Member States to assist him in his consultations with non-Member States with a view to widening the membership of the Organization. To support that endeavour of strengthening UNIDO's constituency and also to broaden UNIDO's resource base in terms of voluntary contributions and payment of assessed contributions, the Director-General established an informal group of permanent missions. The Director-General also established a group to assist him in implementing the initiative on trade and market access facilitation. Furthermore, to support the implementation of legislative mandates on decentralization and field representation, an informal advisory group on field representation is being established.

I. VOLUNTARY CONTRIBUTIONS AND UNIDO MEMBERSHIP

2. At the twenty-sixth session of the Board one of the issues raised was how to improve the Organization's ability to meet the development challenges in terms of assuring a more stable inflow of financial resources from voluntary contributions, increasing accessibility to development funds and thus augmenting predictability of available resources for development purposes. Other issues were the recovery of arrears in assessed contributions and UNIDO membership. In order to comprehensively examine these issues, an informal consultative group was established in June 2003 under the co-chairmanship of Mr. T. P. Sreenivasan (India) and Mr. C. Moreno (Italy). The group was also invited to address Board decision IDB.26/Dec.10, which requested the Director-General to hold close and regular informal consultations with interested Member States to assist him in his consultations with non-Member States with a view to widening the membership of the Organization.

3. The first two meetings of the group, on 31 July and 7 October 2003, considered a number of questions related to financial resources and membership. The first part of the draft agenda focused on voluntary contributions and the second part concerned membership. The meetings covered a range of specific points related to both issues. At the second meeting on 7 October 2003 the group discussed, inter alia, measures towards reviving the interest of Member States,

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V.04-52214 (E)
Distr.: 21 April 2004

broadening UNIDO membership, strengthening cooperation with international financial institutions as well as a proposal aimed at establishing a direct link between debt reduction mechanisms and technical cooperation as well as trade capacity-building. At that meeting it was suggested that a more proactive policy be adopted to solicit the interest of such countries as Australia, Canada, United States of America and to invite them to reconsider their membership in UNIDO in view of many positive changes that have taken place since their withdrawal. At the third meeting held on 7 November 2003 the debt swap proposal as well as post-conflict activities as an argument to bring back former Member States were further explored. A work plan covering promotional steps (contacts in Vienna, New York and Washington, D.C.) was discussed. As a result, a reconnaissance mission was undertaken early January 2004 by the group's Co-Chairmen to the United Sates (New York and Washington, D.C.) focusing on three objectives:

(a) Initiate a political dialogue with the US administration and Senate with a view to soliciting US interest in a policy review vis-à-vis UNIDO, including the possibility of reconsidering the membership issue;

(b) Encourage Small Island Developing States (SIDS) to consider membership in UNIDO;

(c) Contribute to strengthening UNIDO cooperation with international financial institutions, notably the World Bank, the International Finance Corporation (IFC) and the Inter-American Development Bank (IADB) as well as the United Nations and United Nations Development Programme (UNDP).

4. At a fourth meeting on 6 February 2004, the Co-Chairmen briefed the group on the outcome of their mission to the United States, a note on which had been circulated in an information note dated 3 February 2004. Based on the information provided, the group overwhelmingly endorsed the outcome of the mission and follow-up actions were recommended that would, inter alia, include:

(a) Maintaining contacts with US Department of State established during the mission of the Co-Chairmen and soliciting US interest in re-examining the policy vis-à-vis UNIDO in the context of UNIDO's new initiative on post-crisis industrial rehabilitation and reconstruction and other programmes;

(b) Liaison with other US Officials from Senate and Congress met during the mission and examining the possibility of organizing follow-up visits;

(c) Continuing preliminary contacts established by the Co-Chairmen with Permanent Representatives of Australia and Canada in Vienna with a view to launching reconnaissance missions to these countries;

(d) Maintaining a diplomatic dialogue with Permanent Representatives of Small Island Developing States of the Pacific and Caribbean regions as well as with Singapore and other non-Member States regarding their possible accession to UNIDO;

(e) Soliciting the interest of the SIDSs in launching UNIDO's regional programmes in the field of renewable energy;

(f) Inviting representatives of the World Bank and IFC to Vienna for detailed discussions on issues raised by Co-Chairmen with representatives of both organizations;

(g) Continuing detailed discussions with UNDP on establishing regular consultations with UNIDO in order to share information on planned activities;

(h) Inviting representatives of the IADB to Vienna to examine possibility of launching joint UNIDO-IADB regional programmes.

The Office of the Managing Director, Division of Administration, in cooperation with technical branches and UNIDO liaison offices in New York and Geneva, will facilitate the expected follow-up activities.

II. TRADE CAPACITY-BUILDING

5. At its twenty-sixth session, the Board was informed by the Director-General of his proposal to establish an informal consultative group of representatives from interested Member States to advise and assist him in implementing the initiative on trade and market access facilitation. The group was established in March 2003 under the co-chairmanship of Mr. J. Paulinich Velarde (Peru) and Mr. Peter Jenkins (United Kingdom), and held three meetings during the period May to October 2003.

6. The activities of the group helped to increase the support of Member States for UNIDO's trade capacity-building activities and cooperation with other international organizations, notably WTO. Participants were informed about UNIDO's trade-related initiative, the outcome of the WTO Ministerial Meeting at Cancun, and prospects for UNIDO-WTO cooperation.

7. At the first meeting of the group, the Director-General presented a paper on the role of UNIDO and the multilateral system in trade capacity-building, which stressed that for many developing countries technical regulations and standards amounted to a greater barrier than tariffs. It was recognized that a technical assistance

gap existed in this area and that UNIDO's present mandate and experience qualified it for a significant role in filling that gap.

8. These findings were confirmed by a presentation from Mr. Otto Genee, Director for Coherence in the Directorate-General for International Cooperation of the Ministry of Foreign Affairs of the Netherlands on 23 September 2003. Mr. Genee illustrated the difficulties which many developing countries encounter in attempting to conform to internationally agreed technical standards. He demonstrated that UNIDO was uniquely placed to help such countries to overcome some of these difficulties.

9. Mr. Peter D. Sutherland, former GATT and WTO Director-General and European Commissioner for Competition Policy, gave a presentation to the group on 15 October 2003 on the future of WTO with special emphasis on the outcome of the Ministerial Conference at Cancun. He emphasized the importance of UNIDO-WTO cooperation in addressing the issue of technical barriers to trade.

10. It is envisaged that the group will continue its work, inter alia, to monitor progress in project implementation within the framework of the memorandum of understanding between UNIDO and WTO signed at Cancun on 10 September 2003.

11. The Board may also wish to note that the Director-General established an ad hoc task force under the leadership of Mr. A. T. Moleah (South Africa) to serve as a stakeholders' support group to sharpen UNIDO's interventions in Africa in the field of trade capacity-building. The task force has held a number of meetings and received briefings on efforts to implement various UNIDO trade-related programmes in the Economic Community of Western African States (ECOWAS), West African Economic and Monetary Union (UEMOA), Southern African Development Community (SADC) and Northern Africa. Under the guidance of the task force, a special session on trade capacity-building in relation to the cotton-textile-garments value chain was included in the sixteenth meeting of the Conference of African Ministers of Industry held on 28 November 2003.

III. FIELD REPRESENTATION

12. Field representation has long been the subject of mandates adopted by the governing bodies of UNIDO. Most recently, in resolution GC.10/Res.2, the General Conference requested the Director-General to carry forward the process of decentralization to the field and further strengthen and rationalize the field operations of the Organization. Moreover, in resolution GC.10/Res.10, the Conference requested the Director-General to present additional recommendations on decentralization to the Board, following the review of the field operations scheduled for the first quarter 2004.

13. To assist the Director-General in making an informed decision on carrying forward the process of decentralization in the most cost-effective manner, Member States will be invited to participate in an informal advisory group to be co-chaired by Mr. Y. Zhang (China) and Mr. H. Honsowitz (Germany).

IV. ACTION REQUIRED OF THE BOARD

14. The Board may wish to take note of the information contained in the present document.